

Message Text

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PAGE 01 PARIS 30589 01 OF 02 151924Z

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-01 PRS-01 L-03 H-02 AGRE-00 ITC-01

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R 151913Z OCT 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6173

INFO USMISSION EC BRUSSELS

USDEL MTN GENEVA

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DEPT PASS COMMERCE

E.O. 11652: N/A

TAGS: EGEN, FR, BEXP

SUBJECT: BARRE PLAN: FREEZE ON IMPORT PRICES

REF: PARIS 28752

1. PRIME MINISTER BARRE'S ANTI-INFLATION PLAN
INCLUDES PRICE FREEZE UNTIL DECEMBER 31, 1976 ON
IMPORTED GOODS. IN SEPTEMBER 30 DECREE, MINISTRY
OF ECONOMY AND FINANCE SET FORTH GUIDELINES FOR
FREEZE:

A. ONLY C.I.F. PRICE FOR GOODS IMPORTED INTO FRANCE
MAY INCREASE; IMPORTERS' RESALE PRICES ARE FROZEN
AT SEPTEMBER 15 LEVEL UNTIL DECEMBER 31, 1976.

B. PRICE INCREASES CANNOT BE PASSED ON WHETHER THEY
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PAGE 02 PARIS 30589 01 OF 02 151924Z

RESULT FROM FLUCTUATIONS IN EXCHANGE RATES OR

INCREASES IMPOSED BY FOREIGN SUPPLIER OR ANY OTHER CAUSE.

C. PRICE FREEZE IS NOT APPLICABLE ON DOWNWARD SIDE; IMPORTERS MUST PASS ON TO CONSUMER ANY DECREASES IN IMPORT PRICES OR COSTS.

D. IMPORTERS WHO WERE WAITING TO DISPOSE OF INVENTORIES BEFORE INCREASING PRICES OR WHO WERE ADHERING TO A PRICE STABILIZATION AGREEMENT MUST ALSO RESPECT FREEZE.

E. FRESH AGRICULTURAL PRODUCTS AND PRODUCTS FALLING UNDER EUROPEAN COAL AND STEEL COMMUNITY ARE NOT RPT NOT COVERED BY PRICE FREEZE.

2. OTHER SALIENT FEATURES OF PRICE FREEZE INCLUDE:

A. ESCALATOR CLAUSES IN CONTRACTS CONCLUDED PRIOR TO OR SUBSEQUENT TO SEPTEMBER 15 ARE INOPERATIVE UNTIL DECEMBER 31.

B. CONTRACTS WHICH SPECIFY THAT GOODS WILL BE SUPPLIED AT PRICES PREVAILING ON DELIVERY DATES ARE INOPERATIVE.

C. PERIOD AUTHORIZED FOR FORWARD FOREIGN EXCHANGE COVERAGE HAS BEEN REDUCED FROM 3 TO 2 MONTHS AND 8 DAYS AND PERIOD FOR TRANSFER OF FOREIGN CURRENCIES OBTAINED IN EXPORT TRANSACTIONS HAS BEEN REDUCED FROM ONE MONTH TO 8 DAYS.

D. INDUSTRIALISTS WHO IMPORT RAW MATERIALS OR CAPITAL EQUIPMENT GOODS DIRECTLY AND FOR THEIR OWN USE ARE NOT AFFECTED; ONLY IMPORTING COMPANIES WHO ARE

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PAGE 01 PARIS 30589 02 OF 02 151919Z

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PURCHASING TO RESELL ARE AFFECTED BY PRICE FREEZE.

3. COMMENT.

A. IN DISCUSSING PRICE FREEZE WITH EMBOFFS, FRENCH IMPORTERS AND IMPORTER TRADE ASSOCIATIONS, ALTHOUGH DISGRUNTLED, HAVE INDICATED RELUCTANT ACCEPTANCE OF GOF ACTION. IMPORTERS HAVE LITTLE CHOICE IN MATTER SINCE THEY ARE SUBJECT TO RELATIVELY EASY GOF CONTROL IN VIEW OF CUSTOMS DECLARATIONS. ON THE OTHER HAND, HOW SUCCESSFUL PRICE FREEZE ON IMPORTED GOODS WILL BE AT RETAIL LEVEL IS SUBJECT TO QUESTION SINCE GOF CONTROL APPARATUS AT THIS LEVEL OF DISTRIBUTION CHAIN IS MUCH LESS EFFECTIVE.

B. WHILE IMPORTS OF SOME PRODUCTS WITH LOW PROFIT MARGINS MIGHT BE POSTPONED UNTIL END OF FREEZE, LIMITED OFFICIAL USE

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PAGE 02 PARIS 30589 02 OF 02 151919Z

IMPORTERS BY AND LARGE WILL ENDEAVOR TO HONOR THEIR COMMITMENTS. HOWEVER, IMPORTERS HAVE EXPRESSED CONCERN THAT GOF MAY EXTEND PRICE FREEZE BEYOND DECEMBER 31.

C. APART FROM ITS MARGINAL IMPACT ON OVER-ALL PRICE LEVEL, FREEZE MAY HAVE ONE-TIME IMPACT ON BALANCE OF PAYMENTS TO THE EXTENT THAT FRENCH IMPORTERS PUSH FORWARD THEIR IMPORTS INTO BEGINNING 1977. WHILE GOF WOULD WELCOME THIS POSSIBLE "POSITIVE" EFFECT ON 1976 BP OUTCOME, EFFECT WOULD

ONLY BE COSMETIC AND REVERSIBLE.

RUSH

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